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SUBJECT: Toronto's Transit Expansion, Opportunities for U.S. Firms

REF: TORONTO 63

¶1. (SBU) Summary: The Toronto Transit Commission's (TTC) C\$2.6 billion Toronto-York Spadina Subway Extension Project presents potential opportunities for U.S. businesses as there is no domestic content requirement for the design and construction phases. The project, part of the biggest expansion in the TTC's history -- North America's third busiest mass transit system -- is in the design phase of a design-bid-build format. Design work will be available for contractors to bid on by mid-2010. More information will be available to potential contractors by mid-December. End Summary.

Project Funding

¶2. (U) As part of its economic stimulus package and infrastructure renewal in its 2009 budget, Ontario pledged C\$9 billion to address transportation issues. The province's total infrastructure budget was topped up with C\$4 billion from the GOC's 2009 federal budget. In March 2009, the GOC and Ontario announced they would allocate C\$1 billion for a C\$2.6 billion TTC expansion project, with two-thirds coming from the Province. The balance of the project will be funded by the City of Toronto and the Regional Municipality of York. The Toronto-York Spadina Subway Extension Project is the start of the biggest expansion in the TTC's history, North America's third busiest mass transit system, after New York and Mexico City. The planned extension, which will include six subway stations, intermodal bus terminals, commuter facilities and parking, among other infrastructure upgrades, is expected to open in 2015.

Budget Shortfall Won't Stop Project

¶3. (SBU) The expansion plans are moving ahead despite a C\$106 million shortfall in the TTC's 2010 operating budget. However, in an effort to offset its operating budget shortfall, TTC Commissioners (made up of nine city councilors) voted November 17 to hike the adult TTC cash fare by 25 cents to C\$3.00. Other fares (students, seniors) will also increase. Even with the fare hike, the TTC will be short C\$56 million in next year's operating budget. There is wide speculation that similar fare hikes are likely for the next several years just to cover operating costs. To date,

city politicians responsible for TTC have refused to discuss cuts to service.

Contracts Awarded

¶14. (U) The TTC expansion project follows a design-bid-build format. The project is currently in the design phase, with three lead design consultants working on station design. U.K.-based Arup Designs, California-based AECOM, and The Spadina Group Associates (a joint venture between U.K.-based Alsop Architects and Toronto-based Stevens Group Architects) have been awarded contracts worth C\$70 million for the six stations in October 2008.

¶15. (SBU) Design work will be available for contractors to bid on by mid-2010. A TTC representative told us that the organization plans to give a presentation to prospective contractors in early December that will provide prescriptive details on the available contracts. We were told that U.S. contractors have attended presentation

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sessions in the past, and are expected in December as well. TTC officials claim their tender requests do not have domestic content requirements -- other than for vehicle tenders.

Domestic Content Rule for Trains

¶16. (U) As part of a larger regional transportation concept a request for proposal for new vehicles was issued by the TTC. That RFP specified a minimum of 25% Canadian content. Quebec-based Bombardier and Germany-based Siemens submitted bids. Bombardier was awarded a C\$1.2 billion contract to supply the TTC with 204 new low-floor light rail vehicles (LRV) -- streetcars -- beginning in ¶2011. A TTC representative told us on October 30 that the TTC has exercised an option to buy an additional 56 subway cars for the Toronto-York Spadina Subway Extension as part of the same order.

¶19. (SBU) Comment: The TTC and Ontario have selectively established domestic content requirements in an effort to protect Ontario's skilled manufacturing jobs. The streetcar contract represents 4,500 direct jobs in Thunder Bay, Ontario, where Bombardier builds the vehicles. While nearly half of the total project's value did specify domestic content requirements, the TTC is actively seeking U.S. participation for other aspects of the expansion, including large-scale construction contracts. TTC's chairman, an ambitious city councilor with a Toronto mayoral campaign likely in his future, personally urged us to promote the expansion project as an opportunity for U.S. businesses.

JOHNSON